

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**CASE NO. 12495
ORDER NO. R-11495**

IN THE MATTER OF THE HEARING CALLED BY THE NEW MEXICO OIL CONSERVATION DIVISION ("DIVISION") THROUGH THE SUPERVISOR OF DIVISION DISTRICT III IN AZTEC, NEW MEXICO ON ITS OWN MOTION FOR AN ORDER: (I) REQUIRING BK PETROLEUM, INC. TO PROPERLY PLUG AND ABANDON SEVEN CERTAIN WELLS IN SAN JUAN COUNTY, NEW MEXICO; OR (II) AUTHORIZING THE DIVISION TO PLUG AND ABANDON THESE WELLS.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 21, 2000, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 6th day of December, 2000, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) BK Petroleum, Inc. of Farmington, New Mexico is the current owner and operator of the following seven wells located on the Navajo Indian Reservation in San Juan County, New Mexico:

- (a) Many Rocks Gallup Project Well No. 1-W, located 2253 feet from the North line and 1865 feet from the West line (Unit F) of Section 17, Township 31 North, Range 16 West, NMPM;
- (b) Many Rocks Gallup Project Well No. 17 (**API No. 30-045-10821**), located 990 feet from the North line and 400 feet from the West line (Unit D) of Section 17;
- (c) Many Rocks Gallup Project Well No. 19 (**API No. 30-045-12154**), located 2073 feet from the North line

and 641 feet from the West line (Unit E) of Section 17;

- (d) Many Rocks Gallup Project Well No. 20 (**API No. 30-045-10804**), located 1973 feet from the North line and 1941 feet from the West line (Unit F) of Section 17;
- (e) Many Rocks Gallup Project Well No. 23 (**API No. 30-045-10735**), located 1890 feet from the South line and 2150 feet from the East line (Unit J) of Section 17;
- (f) Many Rocks Gallup Project Well No. 26 (**API No. 30-045-10727**), located 660 feet from the South and East line (Unit P) of Section 17; and
- (g) Many Rocks Gallup Project Well No. 16 (**API No. 30-045-10840**), located 360 feet from the North line and 855 feet from the East line (Unit A) of Section 18, Township 31 North, Range 16 West, NMPM.

(3) All of the above-described wells are located on a single Navajo Tribal lease (Navajo Nation Oil and Gas lease No. 14-20-600-3531) and, in compliance with federal law, BK Petroleum, Inc., as lease operator, has apparently posted a collective bond (No. KY-000153) in the amount of \$15,000.00 issued by Continental Surety & Fidelity Insurance Company of Denver, Colorado.

(4) The purpose of a plugging bond is to assure that an operator will properly plug and abandon its well or wells when not capable of commercial production.

(5) At this time, the Division seeks an order directing the operator to plug these wells in accordance with a Division-approved plugging program and, if the operator fails to do so, authorizing the Division to proceed to plug and abandon these wells, order the recovery of the costs of plugging these wells, and impose fines on the operator for failure to comply with this order.

(6) This matter was styled such that in the absence of objection this case would be taken under advisement. Representatives of the Division's district office in Aztec (District III) and the Division's office in Santa Fe prepared a detailed report and summary supporting its position that the subject wells should be plugged and abandoned.

(7) The operator did not appear at the hearing.

(8) None of the seven subject wells has produced hydrocarbons or has otherwise been active for more than one year, and no permit for temporary abandonment has been requested by the operator or approved by the Division.

(9) By virtue of the failure to use the subject wells for beneficial purposes or to have approved temporary abandonment permits, the subject wells are presumed to have been abandoned by BK Petroleum, Inc.

(10) The current conditions of these wells are such that if action is not taken to properly plug and abandon these wells, waste will probably occur, correlative rights will also be violated, livestock and wildlife may be subject to harmful contaminants, and fresh waters may be in danger of contamination.

(11) In order to prevent waste and to adequately protect correlative rights and the environment, the seven above-described wells should be plugged and abandoned by BK Petroleum, Inc. in accordance with a program approved by the supervisor of the Division's Aztec District Office on or before December 31, 2000.

(12) Should BK Petroleum, Inc. not meet this December 31, 2000 plugging obligation, the Division Director should then be authorized to take such action as is deemed necessary to recover from the operator the plugging cost incurred by the Division.

(13) Further, the Division Director should seek reimbursement from the United States Department of the Interior from the above-described bond currently in effect on the subject wells.

IT IS THEREFORE ORDERED THAT:

(1) BK Petroleum, Inc. of Farmington, New Mexico is hereby ordered to plug and abandon the following described seven wells all located on the Navajo Indian Reservation in San Juan County, New Mexico on or before December 31, 2000:

- (a) Many Rocks Gallup Project Well No. 1-W, located 2253 feet from the North line and 1865 feet from the West line (Unit F) of Section 17, Township 31 North, Range 16 West, NMPM;
- (b) Many Rocks Gallup Project Well No. 17 (**API No. 30-045-10821**), located 990 feet from the North line

and 400 feet from the West line (Unit D) of Section 17;

- (c) Many Rocks Gallup Project Well No. 19 (**API No. 30-045-12154**), located 2073 feet from the North line and 641 feet from the West line (Unit E) of Section 17;
- (d) Many Rocks Gallup Project Well No. 20 (**API No. 30-045-10804**), located 1973 feet from the North line and 1941 feet from the West line (Unit F) of Section 17;
- (e) Many Rocks Gallup Project Well No. 23 (**API No. 30-045-10735**), located 1890 feet from the South line and 2150 feet from the East line (Unit J) of Section 17;
- (f) Many Rocks Gallup Project Well No. 26 (**API No. 30-045-10727**), located 660 feet from the South and East line (Unit P) of Section 17; and
- (g) Many Rocks Gallup Project Well No. 16 (**API No. 30-045-10840**), located 360 feet from the North line and 855 feet from the East line (Unit A) of Section 18, Township 31 North, Range 16 West, NMPM.

(2) BK Petroleum, Inc., prior to plugging and abandoning the above-described wells, shall obtain from the supervisor of the Division's District Office in Aztec, an approved plugging program and shall notify the Aztec District Office of the date and time this work is to commence whereupon the Division may witness such work.

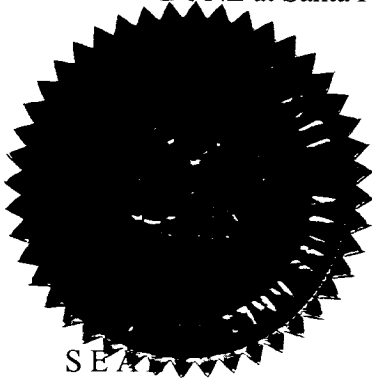
(3) Should BK Petroleum, Inc. fail or refuse to carry out such provisions in accordance with the terms of this order, the Division shall then take such actions as are necessary to have these wells properly plugged and abandoned. Further, the Division shall then be authorized to take such action as is deemed necessary to recover from the operator the costs for such work.

(4) Further, the Division Director shall seek reimbursement from the United States Department of the Interior from the above-described bond currently in effect on the seven above-described wells.

(5) Failure to comply with the provisions of this order shall subject BK Petroleum, Inc. to a fine of \$1,000.00 per day per well until such work is completed (see Section 70-2-31, NMSA 1978).

(6) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script that reads 'Lori Wrotenbery'.

LORI WROTENBERY
Director